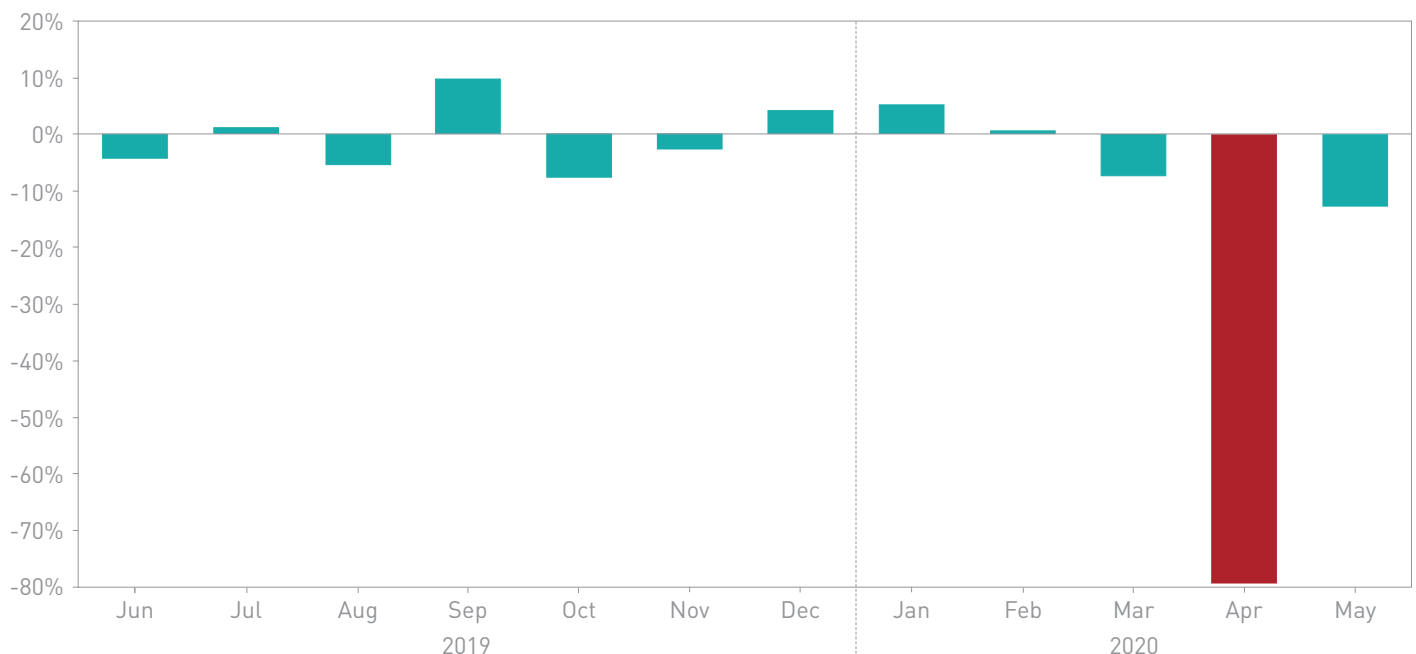


The retail sector has been deeply impacted by the COVID-19 crisis during 2020. Sales were flat in February, and declined in March before collapsing by nearly 80 per cent in April.

THE IMPACTS CONTINUE INTO MAY

The Retail NZ Sales Index records that sales in May were down 12.7 per cent compared to May last year. This demonstrates that, even though most parts of the retail sector are now open more or less normally, there is still significant pressure on retailers. Customers are spending substantially less than at the equivalent time last year, reflecting both a significant decline in consumer confidence, and the collapse in inbound visitor numbers.

Retail NZ Sales Index - spending compared to the previous year



The retail sector is under pressure like never before, and the improved trading conditions in May are still significantly worse than a year ago. The outlook for the sector is grim, and in the absence of additional Government support, many retailers will be unable to recover from the enforced lockdown from late March until May. A key issue is that the threshold for the extension of the Wages Subsidy has been set so high that most retailers will be unable to make use of it. This is expected to have a significant impact on the survival rate of retail businesses and the number of jobs in the retail sector.

Retail and hospitality outlets sit at the heart of communities, creating vibrancy for town centres and opportunities for social interaction: thriving retail helps prevent the emergence of "zombie towns", devoid of opportunity.



Many retailers will be unable to recover from the enforced lockdown from late March until May.

* The Retail NZ Sales Index reports changes in average spend per site at Retail NZ members which process their sales with Westpac.

Before COVID-19

- 27,000 retail businesses.
- 219,000 jobs.
- \$97 billion p.a. turnover.
- 3.6% average net margin.

At May 2020

- **7,500** jobs thought to be lost.

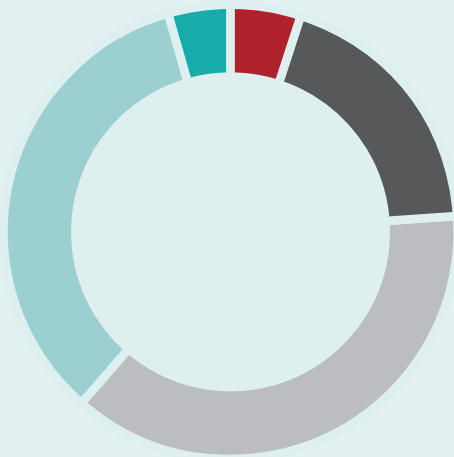
The short-term

- **16,800** job losses expected.

The medium-term

- **6,700** businesses at serious risk.
- **15,500** additional job losses possible.
- Worst-case scenario up to **17,100** retail businesses cease trading and **65,000** job losses.

Retailer confidence



- 5.0% of businesses expect to cease trading.
- 19.0% are not confident they can continue trading.
- 37.5% are really not sure - could go either way.
- 34.2% are confident they'll get through ok.
- 4.3% are very confident - they're in a great position.

* Source: Retail NZ Member Survey May 2020.

RETAILERS NEED SUPPORT TO SURVIVE

The average net margin in retail is just 3.6 per cent - so a loss of almost all business for nearly two months will have a devastating impact on survival rates. The retail sector will continue to evolve and change during the coming months and years, but urgently needs support if the worst impacts on jobs and businesses are to be avoided.

Customers can help by getting out and supporting local stores and shopping at New Zealand based websites.

The Government can help by providing:

- a meaningful extension to the Wages Subsidy that supports retailers unable to recover quickly from the lockdown;
- meaningful action for commercial tenancies to provide proportionate rent relief where this has not been negotiated.

